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April 9, 2008

TO: Supervisor Yvonne B Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT CONTRACT -
WORKFORCE INVESTMENT ACT ADULT SPECIAL NEEDS
PROGRAM**

We have conducted a program, fiscal and administrative contract review of Pacific Asian Consortium in Employment (PACE or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with PACE, a private non-profit organization, to provide and operate the WIA Adult Special Needs Program. The Adult Special Needs Program is a comprehensive training and employment program limited to low-income adults 18 years or older who face multiple barriers to employment. PACE's offices are located in the First and Second Districts.

PACE is compensated on a cost reimbursement basis and has a contract for \$52,736 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether PACE complied with its FY 2007-08 contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the

adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

PACE's expenditures were allowable, accurately billed and supported by documentation as required. In addition, PACE maintained sufficient internal controls over its business operations and provided the program services to eligible participants. However, PACE did not always comply with WIA and County contract requirements. For example:

- The Individual Employment Plans that PACE completed for the five participants sampled did not comply with the WIA requirements.
- PACE did not accurately report the participants' program activities on the Job Training Automation system for the five participants sampled.
- PACE did not register any of the five participants sampled on the State of California Employment Development Department's CalJOBS website.
- PACE did not obtain criminal clearances for the three employees assigned to the WIA program.
- PACE did not complete annual performance evaluations for two (67%) of the three employees sampled.

In addition, PACE did not meet all the performance measures outlined in the County contract. Specifically, PACE planned eight program participants would complete the training and that 13 participants would successfully exit the program. However, only two (25%) program participants completed the training and nine (69%) participants exited the program.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with PACE on February 20, 2008. In their attached response, PACE concurs with our findings and indicates the actions the Agency has taken to implement the recommendations.

We thank PACE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kerry N. Doi, President and CEO, Pacific Asian Consortium in Employment
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
PACIFIC ASIAN CONSORTIUM IN EDUCATION
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Pacific Asian Consortium in Education (PACE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for five (83%) of the six program participants that received services from July through December 2007 for documentation to confirm their eligibility for WIA services.

Results

All five participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for five (83%) participants that received services from July through December 2007. We also interviewed one participant.

Results

The one participant interviewed stated that the services he received met his expectations. However, PACE did not always comply with WIA guidelines. Specifically:

- The Individual Employment Plans (IEPs) that PACE completed for the five participants sampled did not comply with the WIA requirements. Specifically, the IEPs did not include timelines and dispositions for the planned activities as required by WIA guidelines. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals. This finding was also noted during the prior two years' monitoring reviews.
- PACE did not accurately report the participants' program activities, such as completion of the IEPs on the Job Training Automation (JTA) system for any of the five participants sampled. The JTA system is used by the State of California Employment Development Department (EDD) and the Department of Labor to track WIA participants' activities.
- PACE did not register the five participants sampled on the EDD's CalJOBS system. WIA guidelines require contractors to register the participants receiving services at the Los Angeles County WorkSource Centers on the EDD's CalJOBS system. CalJOBS is California's internet system for linking employers with individuals seeking employment.

Recommendations

PACE management:

1. **Ensure that staff complete Individual Employment Plans.**
2. **Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities within 30 days as required.**
3. **Register all participants on the Employment Development Department's CalJOBS system as required.**

PERFORMANCE OUTCOMES

Objective

Determine whether PACE met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

At the time of our review, the performance outcomes for Fiscal Year (FY) 2007-08 were not available. As such, we compared the reported FY 2006-07 actual performance outcomes to the planned performance outcomes outlined in the County contract and the program activities reported on the JTA system. In addition, we reviewed the documentation contained in the case files for ten (67%) of the 15 program participants reported as having completed training and/or placed in employment during FY 2006-07.

Results

Generally, PACE's FY 2006-07 actual performance outcomes were accurately reported to the WIB. In addition, PACE met the performance outcomes for FY 2006-07 enrollment and employment. However, PACE did not meet all the performance measures outlined in the County contract. Specifically, PACE planned eight program participants would complete the training and that 13 participants would successfully exit the program. However, only two (25%) program participants completed the training and nine (69%) participants exited the program.

During our review of the participants' case files, we also noted that PACE did not always comply with WIA guidelines. Specifically, PACE:

- Did not maintain proof of income and family size for two (20%) of the ten program participants sampled.
- Did not accurately report the participants' program activities on the JTA system for any of the ten participants sampled.
- Did not follow-up with the participants after the participants exited the program on a quarterly basis as required for nine (90%) of the ten participants sampled.

Recommendations**PACE management:**

4. **Ensure that performance measures outlined in the County contract are met.**
5. **Ensure that staff obtains appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**
6. **Refer to recommendation 2.**
7. **Ensure that staff follow-up with exited participants on a quarterly basis as required.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's November 2007 bank reconciliation.

Results

PACE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for eight non-payroll expenditure transactions billed by the Agency for October and November 2007, totaling \$291.

Results

PACE's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

PACE maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Determine whether PACE's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

We did not perform test work in this section as PACE did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for three employees totaling \$3,366 for October 2007 to the Agency's payroll records and time reports. We also interviewed two employees and reviewed the personnel files for three staff assigned to the WIA program.

Results

PACE appropriately charged payroll expenditures to the WIA program. However, PACE did not obtain criminal clearances for any of the three employees assigned to the WIA program as required by the County contract. In addition, PACE did not complete annual performance evaluations for two (67%) of the three employees sampled as required. Similar findings were also noted during the prior year's monitoring review.

Recommendations**PACE management:**

- 8. Obtain criminal clearances for all employees assigned to the WIA program.**
- 9. Ensure that annual performance evaluations are performed and maintained in the employees' personnel files.**

COST ALLOCATION PLAN**Objective**

Determine whether PACE's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in October and November 2007 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

PACE's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2006-07 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in May and June 2007.

Results

PACE's final close-out invoice reconciled to the Agency's financial records.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from the FY 2006-07 monitoring review were implemented. The report was issued on July 2, 2007.

Results

The prior year's monitoring report contained six recommendations. PACE implemented two recommendations. As previously indicated, the findings related to recommendations 1, 5, 8 and 9 contained in this report were also noted during the prior year's monitoring review. PACE management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008.

Recommendation

10. PACE management implement the outstanding recommendations from the FY 2006-07 monitoring report.



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March 3, 2008

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Auditor Controller
County of Los Angeles
Department of Auditor-Controller
1000 S. Fremont Ave. Unit 51 Bldg. A9 East
Alhambra, CA 91803-4737

Re: PACE County WIA Special Needs Contract - Auditor-Controller Review

The Pacific Asian Consortium in Employment (PACE) is submitting this letter in response to the recent program, fiscal and administrative contract review of our County WIA Special Needs contract for the 2007-2008 program year.

Auditor's Recommendations

Recommendation # 1 – Ensure that staff completes Individual Employment Plans.

Agency's response

PACE case management staff begins assistance with all participants by reviewing their background, education and skills level and discuss the short and long term goals. They also has maintained an on going monthly and quarterly contacts and follow-up with participants; however, they did not document all information and contacts in IEPs from time to time. PACE management team has already reiterated to the case manager that IEPs need to be completed in a manner that would cover assessment information, participants' employment goals, short term goals, long term goals, and its estimate completion dates. In addition, PACE Management staff will closely monitor and review all participants' files on a regular basis to ensure that staff completes Individual Employment Plans.

Recommendation #2 - Ensure that staff accurately reports the participants' program activities on the Job Training Automation system.

Agency's response

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WorkSource Center
Suite 900-A
Tel: 213.353.1677
Fax: 213.353.1688

Business
Development Center
Suite 900-B
Tel: 213.353.9488
Fax: 213.353.4888

Work
Opportunities
Suite 900-D
Tel: 213.353.3982
Fax: 213.353.0194

Environmental
Services
Suite 900-E
Tel: 213.989.3274
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Head
Start
Suite 1050
Tel: 213.989.3244
Fax: 213.989.3208

Handy
Workers
Suite 1475
Tel: 213.353.3916
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PACE Case Manager has indeed provided the WIA program activities to each enrolled participant. However, program activities were erroneously reported on the Job Training Automation system by PACE Case Manager, using activity code 31 (Comprehensive Assessment) instead of activity code 32 (Development of Individual Employment Plan). PACE management staff met with the assigned case manager and informed the case manager to correct and update the Job Training Automation system to reflect the participants program activities. However, this correction requires prior approval from the Department of Community Senior Services (DCSS) in order to access the Job Training Automation system. An e-mail has already been sent to CSS MIS system requesting for correction. (See attached copy of e-mail sent to and received from CSS).

Recommendations #3 & 6 - Register all participants on the Employment Development Department's CalJOBS system as required, and ensure that agency accurately updates the JTA system to reflect the participants' program activities within 30 days as required.

Agency's response

PACE's Special Needs program targets special needs population that have substantial language and cultural barriers to employment. Their needs are different from other job seekers. These individuals have limited English proficiency and in most cases minimum education and employment. In most case, they have no computer skills. Therefore, this target group has extreme difficulties in registering EDD CalJOBS system on their own. However, PACE case manager will make effort in assisting each participant to registers for the system in future program years. In addition, all program participants' activities will accurately update on the JTA system within 30 days as required.

Recommendation #4 - Ensure that performance measures outlined in the County contract are met.

Agency's response

PACE has informed the Department of Community Senior Services (DCSS) that our previously reported planned number of enrollment and training completion (8) was incorrect, and the corrected number of planned participants enrolling and completing training should be 2, not 8. As advised by DCSS Program Monitor, Jenifer Vadlez, PACE will revise our agency's matrix so it is accurate and resubmit to CSS for their review. And also will provide a justification as to why the modification is being requested. Meanwhile, PACE will monitor and review closely in the future all performance measures including training completion

and exist. Any shortfall will be addressed and remedied immediately.

Recommendation #5 - Ensure that staff obtains appropriate documentation from the participants to determine the participant's eligibility for program services prior to enrollment.

Agency's response

PACE management staff has reiterated the eligibility requirements of the WIA program for Adult Special Needs population with the Case Manager to ensure that all appropriate documentation from the participants are eligible in each of the enrolled participants' files to support their eligibility for services prior to enrollment. In addition, PACE management staff will closely review and monitor all participants' files to ensure that all appropriate documentation concerning the participants' eligibility will be eligible for the future audit review.

Recommendation # 7 – Ensure that staff follow-up with exited participants on a quarterly basis as required.

Agency's response

PACE staff has actually maintained an on going quarterly contacts and follow-up with exited participants; however, they did not update their contacts and follow-ups made with the exited participants in the JTA system. However, PACE management staff has already reiterated to the Case Manager that all future contacts with the exited participants need to be updated in the JTA system. In addition, PACE management staff will closely monitor and review all exited participants' files to ensure that staff follow-up with exited participants on a quarterly basis as required under the WIA contract.

Recommendation #8 - Obtain criminal clearance for all employees assigned to the WIA program.

Agency's response

As stated in our exist conference with the Auditors, these three staff performing work under our WIA Special Needs Contract with the County of Los Angeles have been employed with the agency between 9 to 29 years. Their employment start dates are earlier than the dates of WIA Special Needs contract execution. These three employees have demonstrated outstanding characters and performed services within all program and financial guidelines. We have requested that these three employees be grandfathered and be waived from this requirement. This request has been brought to the attention of our Program Monitor, Ms. Mariam Lambert and is currently pending CSS review. Although criminal clearance for all

new employees is not required under existing PACE Personnel Practices and Policies, we will obtain criminal clearance for future new employees hired under this Los Angeles County contract.

Recommendation #9 - Ensure that annual performance evaluations are performed and maintained in the employees' personnel files.

Agency's response

The missing performance evaluations for two employees will be available for the future auditor review.

Recommendation #10 - PACE management staff implements the outstanding recommendations from the 2006-07 monitoring report.

Agency's response

As we have indicated, the findings related to Recommendations 1, 5, 8 and 9 noted during the prior year's monitoring review, PACE management staff will implement these outstanding recommendations by the end of the 2007-08 program year. In addition, PACE management staff will closely monitor its implementation in order to ensure that these outstanding recommendations will be updated and corrected as scheduled.

If you have any questions, please do not hesitate to contact me at (213) 207-1366. Thank you.

Sincerely,



Albert Sy
Senior Program Coordinator

cc: Yoon Bae, CPA

Ninez Mendoza, Accountant Auditor.